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SUBJECT: Secretary of Agriculture Mike Johanns meeting with French Ag Minister Dominique Bussereau

**¶1. INTRODUCTION AND SUMMARY:** (SBU) After opening cordialities, Minister Bussereau implicitly referred to the previous day's meeting between Secretary Johanns, USTR Portman and their EC counterparts, stating that whatever the EC negotiates will have to be approved by all 25 Member States. He stressed that the EU was prepared to make concessions on market access only if others were willing to make reciprocal concessions. He said that a Doha agreement would have to be compatible with CAP reform and that the EU can't sign on to Doha without agreement on geographical indications. Secretary Johanns stressed that the model for Doha should be to encourage trade and open markets via reducing export subsidies and tariffs, and that the EU should move toward this model, applying a scientific approach to issues such as biotech and hormone-fed beef.

Participants on the U.S. side were: Mike Johanns, Secretary for Agriculture, Craig R. Stapleton, U.S. Ambassador to France, Dr. J.B.Penn, Undersecretary for Farm and Foreign Service, Ellen Terpstra, Administrator, Foreign Agricultural Service, Elizabeth B. Berry, Minister-Counselor for Agricultural Affairs, Thomas J. White, Minister-Counselor for Economic Affairs, and Xavier Audran, Agricultural Economist.

Participants on the French side were: Dominique Bussereau, Minister for Agriculture and Fisheries, Michel Cadot, Director of Cabinet, Franois Riegert, Deputy Director of Cabinet, Jean-Marie Aurand, Director for Economic and International Policy, Raphael Alomar, Adviser for International Affairs, and Jonathan Derai, Deputy-Adviser for Diplomatic affairs

**¶2. (SBU)** After pledging French support for U.S. hurricane victims, Minister Bussereau focused on the WTO negotiations, stating that although some progress has been made in agriculture, not much progress has been made on services and industrial goods. He stated that the EU has already decoupled domestic support, making its ag policy compatible with WTO parameters. Further, he asserted that the EU couldn't undertake additional reforms given that decoupling is new for its farmers and is less advantageous than the previous system. Implicitly referring to the previous day's meeting between Secretary Johanns, USTR Portman and their EC counterparts, he said that whatever the EC negotiates on market access, subsidies and domestic support will have to be approved by all 25 Member States.

**¶3. (SBU)** Secretary Johanns expressed the hope that further progress on the ag pillar could be made before the Hong Kong summit. He emphasized President Bush's comments about the need to eliminate trade-distorting subsidies at the G-8 summit and the United Nations. While acknowledging that reform of the Common Agricultural Policy (CAP) was a step in the right direction, he underscored the fact that the EU's level of ag subsidies remains the highest in the world. He also emphasized the degree to which the EU has benefited from the U.S.'s relatively low tariffs and open markets, and that U.S. farmers want reciprocal business opportunities in Europe. He underscored the need to convince our Congress that a WTO agreement will result in opportunities for U.S. farmers in the EU market. He also made a strong argument that we must address market access and trade-distorting subsidies to help raise the standard of living in the developing world.

**¶4. (SBU)** Minister Bussereau stated that the EU is already the largest importer of ag products from developing countries and referred to the Everything but Arms program. He said that tariff cuts would benefit the wealthy segments in the Cairns countries rather than farmers in the developing world. He added that per capita subsidies in the U.S. were higher than in Europe, according to OECD data.

With regard to export competition, the Minister said that France was willing to eliminate export subsidies in exchange for "parallelism" from others, e.g. U.S. food aid reforms. He added that the EU was prepared to make concessions on market access if others were willing to make concessions, stating that he thought the Uruguay Round framework provided a better basis than the G-20 proposal for market access discussions. He said that a Doha agreement would have to be compatible with CAP reform and that the EU can't sign on to Doha without agreement on geographical indications.

15. (SBU) Secretary Johanns said that food aid represents a small fraction of U.S. ag exports and that we should be doing more in ways that are more efficient, rather than tying the hands of donors. He also noted that dollarizing food aid is not a good solution because of corruption. Regarding domestic support, the Secretary again noted that CAP reform was a step in the right direction and that if the model is decoupling that the US should move in that direction. Moreover, he emphasized, if the model is to encourage trade and open markets via reducing export subsidies and tariffs, the EU should move toward the U.S. model. He added that the EU should harmonize its regulations on biotech and hormone-fed beef, concluding that U.S. farmers would like to have the same opportunities in Europe that EU farmers have in the U.S.

16. (SBU) Minister Bussereau said that progress can only be made at Doha if everybody makes concessions on all three legs of the negotiations. He added that the US and the EU shouldn't disrupt their marketing systems for developing countries since such changes wouldn't significantly help the poorer countries. He said that there are several "red lines" for France such as non-disruption of the CAP. He added that Europe has made some political choices, e.g. traceability, protecting the rural environment, and protecting, preserving and promoting the rural way of life, which is "the soul of Europe."

17. Secretary Johanns replied that we shouldn't respond to the Brazil challenge by raising tariff barriers. He said that the U.S. believes in an open market policy and is ready to make concessions as we're asking the world to do.

18. (SBU) Minister Bussereau said that a balance was needed and that the Council of EU Ag Ministers was ready to talk but that any agreement must be based on reciprocity. He said that he was satisfied with the US/EU wine accord, although it was only a first step. He hopes to attain further progress on EU appellations of origin. On food safety matters, he asked for more USG flexibility on issues such as regionalization. He noted that the U.S. meat industry was working on an agreement with Japan and said that the EU would like a similar agreement. He expressed appreciation for the lifting of the U.S. delisting of French foie gras plants and said that France wanted a solution on the wine bottle crate issue. He noted the Forestry MOU signed in July and emphasized that there was a lot of room for cooperation between the U.S. and France in the forestry and bioenergy sectors.

19. Secretary Johanns said the U.S. was interested in moving towards a more regional approach on phytosanitary issues and that decisions should be made in a science-based manner. He stressed that a science-based approach should be used in addressing BSE, biotechnology and the beef hormone issue. He agreed that the forestry sector afforded many positive opportunities.

110. Minister Bussereau thanked the Secretary for the useful exchange of views and invited him to return to France.

STAPLETON